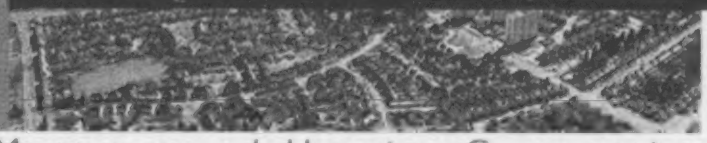
HOUSING MARKET INFORMATION

# HOUSING MARKET OUTLOOK

## Windsor CMA



Canada Mortgage and Housing Corporation

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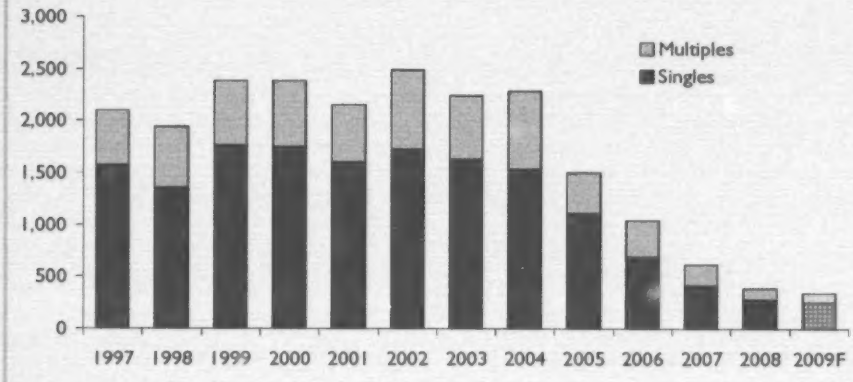
## New Home Market

### Starts Down

Demand for new homes continues to wane in the Windsor Census Metropolitan Area (CMA). New construction will slide over 30 per cent by the end of 2009 to the lowest level in 25 years. Total home starts will fall to less than 310 units, following a 26 per cent drop in 2008. Demand for all dwelling types will be weaker. Construction will begin on a total of 225 single-detached homes in 2009, a drop of 31 per cent from 2008. Out-migration, greater selection in the resale home market and low consumer confidence due to job losses will combine to weaken demand for new homes in 2009. Housing starts will gradually improve during in the second half of 2010.

Figure 1

**Housing Starts Will Fall**




Source: CMHC forecast

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The supply of single-detached homes complete and not yet sold peaked in September 2008 with just over half within the City of Windsor. The number of completed homes for sale at 59 at the end of the third quarter was 18 per cent lower than the peak reached during the down cycle at the beginning of the decade when 72 homes were complete and available for sale in February 2001. Low new home inventories indicate any improvement in demand will be met by new construction.

The average price of a new home in the Windsor CMA will continue to be well above the cost of the average resale home. The New Housing Price Index, which measures changes in the price of a similar house on a similar lot, was flat in the Windsor CMA in 2008. The Index is forecast to decline a further one per cent in 2009. This is in contrast to the average price of a newly constructed single-detached house in the Windsor CMA which rose 24 per cent over the past two years due to a change in the mix of homes in demand. A larger proportion of upper end (above $300,000) homes contributed to an average price of $311,852 in 2008. In 2009 the average price will moderate to $295,000 due to a reduction in the number of upper end homes being built. In the first quarter the share of homes completed and sold for over $300,000 dropped from 37 per cent of all sales in 2008 to 23 per cent in 2009. Next year the average price will turn upward again as demand for large homes begins to increase in share.

Construction of new apartments or townhouses will continue to decrease in 2009. Rental construction will be limited to a few four-plex buildings due to the high vacancy rate. Condominium apartment starts will also be limited since demand is negligible given the ample selection in resale market. Construction of townhouse ownership units will be down by over half due to an ample supply left under construction waiting for purchase.

# Resale Home Market

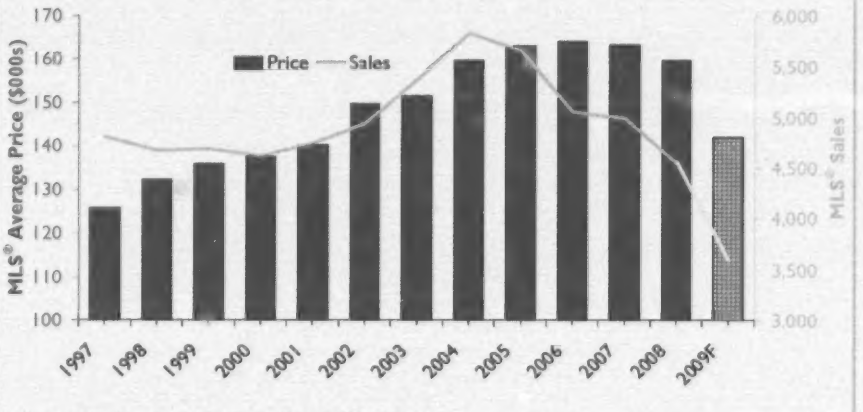
## Resale to Cool in 2009

Existing home sales in Windsor-Essex will maintain its decline in 2009. Employment losses and uncertainty regarding the economy will retard sales to 3,600 units. A modest pickup in the second half of 2010 will result in annual sales approaching the 4,000 unit level. Low mortgage rates and affordable prices will be the main attraction for first-time buyers with a down payment and employment security.

The Windsor CMA is considered the most affordable homeownership market of any major metropolitan market in Ontario. The gap between the income[1] required to carry the mortgage[2] on an average-priced home to actual household income received on average by homeowners in the Windsor CMA has been expanding over the past several years. Due to falling home prices and historically low borrowing costs the ratio of required income to actual income has dropped more than 10 per cent in the last five years. As seen in Figure 3, the required income has been relatively stable in the Windsor area for a number of years. When labour

Figure 2

**Resale Sales and Prices Decline in 2009**

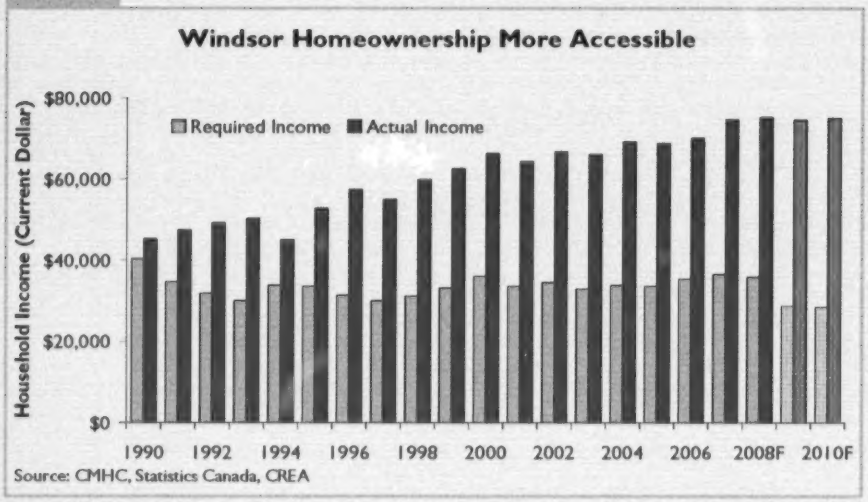



Source: Windsor Essex Real Estate Board, CMHC forecast

[1] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 per cent gross debt service ratio.

[2] Based on 20 per cent down payment, average of all lenders' posted fixed five-year mortgage rate, 25 year amortization.

Figure 3



Source: CMHC, Statistics Canada, CREA

# Economic Trends

## Job Shedding Continues

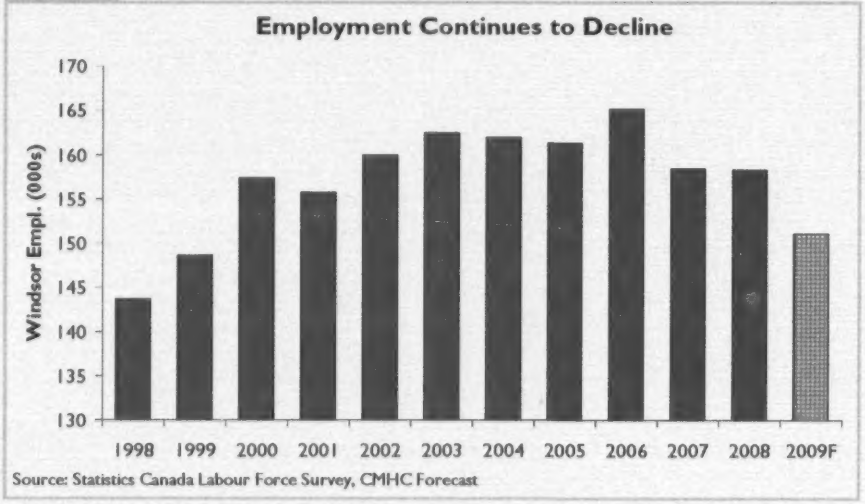
Employment is a key factor supporting housing demand. While employment levels were able to hold steady in 2008 following a four per drop in 2007 in 2009 employment in the Windsor CMA is forecast to decrease over five per cent as auto sector restructuring was more severe than originally anticipated. The loss of the longest running third shift in North America at the Chrysler LLC Windsor Assembly Plant will place 1,200 workers on indefinite layoff in June. This will in turn have major spin-off effects on suppliers and trickle down throughout the local economy. Ongoing weakness in the U.S. and the value of Canadian dollar continue to negatively impact manufacturing and tourism. In turn

markets stabilize improved affordability will be the engine that will drive the resale market.

New listings, a measure of supply, will remain high. At 11,400, new listings in 2009 will be up less than two per cent from 2008. The supply of new listings peaked in 2006. Many homeowners were encouraged to put their homes up for sale in a housing market environment which saw prices rising faster than inflation. In 2009, more homes will be listed as the job market in Windsor remains soft.

Market conditions are measured by the sales to new listings ratio (SNLR)[3]. The SNLR has been trending lower after peaking in 2002. With supply outpacing demand in 2009, the SNLR will average less than 40 per cent. The Windsor-Essex resale market will continue to favour buyers into 2009. As a result of the cooling of the market in the last few years, the average sale price will decline. The average price of a resale home will fall to $142,000 in 2009 due to aggressive negotiations by a limited number of buyers. Price declines will continue into 2010. Ranch homes will be the most popular with areas such as South Windsor and LaSalle continuing to be attractive locations for purchases.

Figure 4



Source: Statistics Canada Labour Force Survey, CMHC Forecast

[3] In Windsor-Essex a buyers' market is associated with a SNLR below 45 per cent, while a ratio between 45 and 55 per cent indicates a balanced market. In a buyers' market, prices are falling while in a balanced market, they are rising in line with inflation.

this has had a detrimental affect on local consumer spending.

The economy has been slow to transition from its old manufacturing base to a more diversified knowledge base. Employment in the manufacturing sector has shrunk by 20 per cent from the first quarter of 2008 to the first quarter of 2009 while the service sector only lost 2.4 per cent. Recent federal budget allocations of $315 million for university automotive research and innovation will benefit the Windsor area. Several sectors including retail trade, finance, insurance and real estate services sector have started to show some recovery. To boost the city's tourism potential the City of Windsor has commissioned a feasibility study to develop a canal and marina development in the downtown area.

Non-residential construction employment will grow marginally in 2009 due to investment in major capital projects in the area including the $1.6 billion upgrade to the border crossing, the $100 million renovation at the Windsor Regional Hospital, the new $24 million recreation centre in Amherstburg, and several other major institutional renovation projects and infrastructure upgrades. This will create many short-term construction jobs, and go a long way in stemming the sliding consumer sentiment in the area.

## Migration

Net migration is forecast to be negative in 2009 in the Windsor CMA . More people have moved away from the area each year since 2004 than have relocated to Windsor. This is expected to continue in 2009 with a net loss of nearly 1,500 people. The first impact can be seen in the rental market as renters are more mobile than owners.

In the rental market the average apartment vacancy rate in Windsor was 14.8 per cent in October 2008 and is expected to remain high in 2009. Contributing to the high vacancy rate are several factors such as higher unemployment among youth, out-migration in search of employment, and competition from homeownership. The average two bedroom apartment rent is forecast to remain flat in October 2009, as landlords refrain from raising rents in an effort to retain existing tenants.

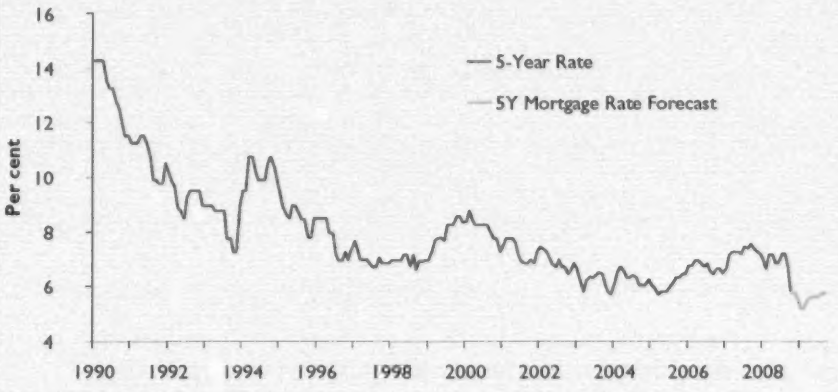
The Windsor-Essex area is marketing the region abroad to boomers and retirees as an exceptional place to live. Visitors and residents extol the many recreational opportunities, affordable housing and temperate climate of the area in the hopes of attracting new residents.

## Mortgage Rates

Mortgage rates are expected to be relatively stable throughout 2009, remaining within 25-75 basis points of their current levels. Posted mortgage rates will increase very gradually during the course of 2010, reflecting a rise in government of Canada bond yields. For 2010, the one year posted mortgage rate will be in the 4.75-6.00 per cent range, while three and five year posted mortgage rates are forecast to be in the 5.00-6.75 per cent range.

Figure 5

**Mortgage Rates Will Remain Low**




Source: Bank of Canada

| Forecast Summary<br>Windsor CMA<br>Spring 2009 | 2006 | 2007 | 2008 | 2009f | % chg | 2010f | % chg |
|---|---|---|---|---|---|---|---|
| **Resale Market** | | | | | | | |
| MLS® Sales | 5,047 | 4,987 | 4,546 | 3,600 | -20.8 | 3,725 | 3.5 |
| MLS® New Listings | 11,802 | 11,718 | 11,197 | 11,400 | 1.8 | 11,100 | -2.6 |
| MLS® Average Price ($) | 164,123 | 163,215 | 159,709 | 142,000 | -11.1 | 136,000 | -4.2 |
| **New Home Market** | | | | | | | |
| **Starts:** | | | | | | | |
| Single-Detached | 692 | 417 | 328 | 225 | -31.4 | 250 | 11.1 |
| Multiples | 353 | 197 | 125 | 80 | -36.0 | 80 | 0.0 |
| Semi-Detached | 50 | 48 | 22 | 28 | 27.3 | 20 | -28.6 |
| Row/Townhouse | 90 | 83 | 87 | 50 | -42.5 | 30 | -40.0 |
| Apartments | 213 | 66 | 16 | 30 | 87.5 | 38 | 26.7 |
| Starts - Total | 1,045 | 614 | 453 | 305 | -32.7 | 330 | 8.2 |
| **Average Price ($):** | | | | | | | |
| Single-Detached | 252,302 | 285,819 | 311,852 | 295,000 | -5.4 | 304,000 | 3.1 |
| **Median Price ($):** | | | | | | | |
| Single-Detached | 210,470 | 259,000 | 289,000 | 275,000 | -4.8 | 282,000 | 2.5 |
| New Housing Price Index (% chg.) | -0.1 | -2.1 | 0.4 | -1.0 | - | 0.5 | - |
| **Rental Market** | | | | | | | |
| October Vacancy Rate (%) | 10.4 | 12.8 | 14.6 | 17.0 | 2.4 | 14.0 | -3.0 |
| Two-bedroom Average Rent (October) ($) | 774 | 773 | 772 | 775 | - | 775 | - |
| **Economic Overview** | | | | | | | |
| Mortgage Rate (1 year) (%) | 6.28 | 6.90 | 6.70 | 4.80 | -1.9 | 5.29 | 0.5 |
| Mortgage Rate (5 year) (%) | 6.66 | 7.07 | 7.06 | 5.64 | -1.4 | 5.94 | 0.3 |
| Annual Employment Level | 165,100 | 158,400 | 158,300 | 151,000 | -4.6 | 149,000 | -1.3 |
| Employment Growth (%) | 2.4 | -4.1 | -0.1 | -4.6 | - | -1.3 | - |
| Unemployment rate (%) | 8.9 | 9.0 | 9.3 | 13.8 | - | 13.4 | - |
| Net Migration [1] | -1,499 | -1,774 | -1,700 | -1,500 | | -1,400 | |

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Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
**NOTE:** Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2007 migration data is forecasted

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